

State of South Carolina



Office of the State Auditor

1401 MAIN STREET, SUITE 1200
COLUMBIA, S.C. 29201

THOMAS L. WAGNER, JR., CPA
STATE AUDITOR

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September 12, 2001

Mr. Ken Hyatt, Chief Financial Officer
Allendale County Memorial Hospital
Post Office Box 218
Fairfax, South Carolina 29827

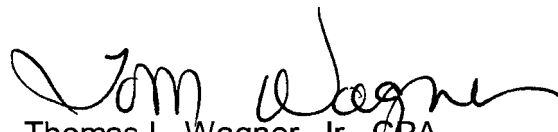
Re: AC# 3-JEH-J6 – Allendale County d/b/a John Edward Harter Nursing Center

Dear Mr. Hyatt:

The accompanying report has been prepared by our office based on your Medicaid Financial and Statistical Report submitted to the Department of Health and Human Services for the cost report period October 1, 1995 through September 30, 1996. That report was used to set the rate covering the contract periods beginning October 1, 1997.

We are recommending that the Department of Health and Human Services certify an accounts receivable to recover amounts due as a result of the rate change shown on Exhibit A. You will be notified of repayment terms by that Agency.

If you take exception to this report in any manner, you have the right to appeal in accordance with the Code of Laws of South Carolina, 1976 as amended, Title 44, and Department of Health and Human Services Regulation R.126-150, and you must respond in writing within thirty (30) calendar days of the date of this letter. This written response must address the specific items in the report being appealed, and must be directed to the Appeals and Hearings, Department of Health and Human Services, Post Office Box 8206, Columbia, South Carolina 29202-8206. Any correspondence should include the control number appearing on Exhibit A of this report.


Thomas L. Wagner, Jr., CPA
State Auditor

TLWjr/cwc

cc: Ms. Brenda L. Hyleman
Mr. Jeff Saxon
Mr. Joseph Hayes

**ALLENDALE COUNTY
D/B/A JOHN EDWARD HARTER NURSING CENTER**

FAIRFAX, SOUTH CAROLINA

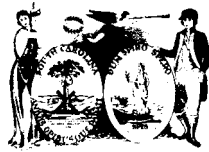
**CONTRACT PERIODS
BEGINNING OCTOBER 1, 1997
AC# 3-JEH-J6**

**REPORT ON CONTRACT
FOR
PURCHASE OF NURSING CARE SERVICES
WITH
STATE OF SOUTH CAROLINA
DEPARTMENT OF HEALTH AND HUMAN SERVICES**

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

July 27, 2001

Department of Health and Human Services
State of South Carolina
Columbia, South Carolina

We have performed the procedures described below, which were agreed to by the South Carolina Department of Health and Human Services, solely to compute the rate change and related adjusted reimbursement rate to be used by the Department in determining the reimbursement settlement with Allendale County d/b/a John Edward Harter Nursing Center, for the contract periods beginning October 1, 1997, and for the twelve month cost report period ended September 30, 1996, as set forth in the accompanying schedules. This engagement to apply agreed-upon procedures was performed in accordance with the standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the Department of Health and Human Services. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

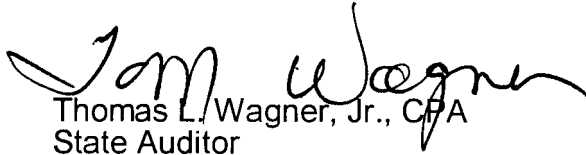
The procedures and the associated findings are as follows:

1. We tested selected costs or areas based on our analytical procedures applied to the reimbursable Medicaid program costs as shown on the Financial and Statistical Report for Nursing Homes, as filed by Allendale County d/b/a John Edward Harter Nursing Center, to determine if these costs were allowable as defined by the State Plan for Medicaid reimbursement purposes and supported by accounting and statistical records maintained by the provider. Our findings as a result of these procedures are presented in the Adjustment Report, Summary of Costs and Total Patient Days, and Cost of Capital Reimbursement Analysis sections of this report.
2. We recomputed the Computation of Reimbursement Rate using the adjusted costs and calculated the rate change in accordance with the provisions of the contract between the Department of Health and Human Services and Allendale County d/b/a John Edward Harter Nursing Center dated as of October 1, 1994 as amended. Our findings as a result of these procedures are presented in the Computation of Rate Change and Computations of Adjusted Reimbursement Rate sections of this report.

Department of Health and Human Services
State of South Carolina
July 27, 2001

We were not engaged to, and did not, perform an audit, the objective of which would be the expression of an opinion on the specified elements, accounts, or items. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the South Carolina Department of Health and Human Services and is not intended to be and should not be used by anyone other than the specified party.


Thomas L. Wagner, Jr., CPA
State Auditor

ALLENDALE COUNTY D/B/A JOHN EDWARD HARTER NURSING CENTER

Computation of Rate Change
For the Contract Periods
Beginning October 1, 1997
AC# 3-JEH-J6

	<u>10/01/97- 03/31/98</u>	<u>04/01/98- 09/30/98</u>
Interim reimbursement rate (1)	\$95.40	\$98.87
Adjusted reimbursement rate	<u>94.76</u>	<u>96.00</u> (2)
Decrease in reimbursement rate	\$ <u>.64</u>	\$ <u>2.87</u>

(1) Interim reimbursement rate from the South Carolina Medicaid Management Information System (MMIS) Provider Rate Listing dated December 19, 2000

(2) As provided under Article IV, Section E of the Provider's contract dated as of October 1, 1994 as amended, "The Provider agrees that the rate charged to SCDHHS for service to an eligible Medicaid recipient under this contract will not be greater than that charged for a similar service to a private pay patient." Accordingly, the reimbursement rate is limited to the customary charges to private pay clients.

ALLENDALE COUNTY D/B/A JOHN EDWARD HARTER NURSING CENTER
Computation of Adjusted Reimbursement Rate
For the Contract Period October 1, 1997 Through March 31, 1998
AC# 3-JEH-J6

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$41.00	\$44.37	
Dietary		13.98	10.55	
Laundry/Housekeeping/Maint.		<u>12.42</u>	<u>7.53</u>	
Subtotal	\$ <u>-</u>	67.40	62.45	\$62.45
Administration & Med. Rec.	\$ <u>-</u>	<u>10.74</u>	<u>9.06</u>	<u>9.06</u>
Subtotal		78.14	<u>\$71.51</u>	71.51
<u>Costs Not Subject to Standards:</u>				
Utilities		6.04		6.04
Special Services		-		-
Medical Supplies & Oxygen		5.52		5.52
Taxes and Insurance		.79		.79
Legal Fees		<u>-</u>		<u>-</u>
TOTAL		<u>\$90.49</u>		83.86
Inflation Factor (4.40%)				3.69
Cost of Capital				8.18
Cost of Capital Limitation				(1.47)
Profit Incentive (Max. 3.5% of Allowable Cost)				-
Cost Incentive				-
Effect of \$1.75 Cap on Cost/Profit Incentives				-
Minimum Wage Add-On				<u>.50</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$94.76</u>

ALLENDALE COUNTY D/B/A JOHN EDWARD HARTER NURSING CENTER
Computation of Adjusted Reimbursement Rate
For the Contract Period April 1, 1998 Through September 30, 1998
AC# 3-JEH-J6

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$41.00	\$47.70	
Dietary		13.98	10.55	
Laundry/Housekeeping/Maint.		<u>12.42</u>	<u>7.53</u>	
Subtotal	\$ <u>-</u>	67.40	65.78	\$65.78
Administration & Med. Rec.	\$ <u>-</u>	<u>10.74</u>	<u>9.06</u>	<u>9.06</u>
Subtotal		78.14	<u>\$74.84</u>	74.84
<u>Costs Not Subject to Standards:</u>				
Utilities		6.04		6.04
Special Services		-		-
Medical Supplies & Oxygen		5.52		5.52
Taxes and Insurance		.79		.79
Legal Fees		<u>-</u>		<u>-</u>
TOTAL		<u>\$90.49</u>		87.19
Inflation Factor (4.40%)				3.84
Cost of Capital				8.18
Cost of Capital Limitation				(1.47)
Profit Incentive (Max. 3.5% of Allowable Cost)				-
Cost Incentive				-
Effect of \$1.75 Cap on Cost/Profit Incentives				-
Minimum Wage Add-On				<u>.50</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$98.24</u>

ALLENDALE COUNTY D/B/A JOHN EDWARD HARTER NURSING CENTER
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 1996
AC# 3-JEH-J6

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	<u>Debit</u>	Adjustments <u>Credit</u>	Adjusted <u>Totals</u>
General Services	\$ 677,227	\$ -	\$ 32,613 (1)	\$ 644,614
Dietary	190,108	29,682 (1)	-	219,790
Laundry	11,838	-	-	11,838
Housekeeping	59,071	-	9,505 (1)	49,566
Maintenance	123,982	9,830 (1)	-	133,812
Administration & Medical Records	180,345	-	11,499 (1)	168,846
Utilities	95,055	-	50 (1)	95,005
Special Services	-	-	-	-
Medical Supplies & Oxygen	84,041	2,771 (1)	-	86,812
Taxes & Insurance	24,568	-	12,092 (1)	12,476
Legal Fees	-	-	-	-
Cost of Capital	<u>136,028</u>	<u>72,257</u> (2)	<u>79,643</u> (1)	<u>128,642</u>
Subtotal	1,582,263	114,540	145,402	1,551,401

ALLENDALE COUNTY D/B/A JOHN EDWARD HARTER NURSING CENTER

Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 1996
AC# 3-JEH-J6

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments <u>Debit</u>	<u>Credit</u>	Adjusted <u>Totals</u>
Ancillary	-	3,735 (1)	-	3,735
Non-Allowable	<u>5,695,254</u>	<u>99,384</u> (1)	<u>72,257</u> (2)	<u>5,722,381</u>
Total Operating Expenses	<u>\$7,277,517</u>	<u>\$217,659</u>	<u>\$217,659</u>	<u>\$7,277,517</u>
Total Patient Days	<u>15,721</u>	<u>-</u>	<u>-</u>	<u>15,721</u>
TOTAL BEDS	<u>44</u>			

ALLENDALE COUNTY D/B/A JOHN EDWARD HARTER NURSING CENTER

Adjustment Report
Cost Report Period Ended September 30, 1996
AC# 3-JEH-J6

ADJUSTMENT <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Dietary	\$ 29,682	
	Maintenance	9,830	
	Medical Supplies	2,771	
	Ancillary	3,735	
	Nonallowable	99,384	
	General Services		\$ 32,613
	Housekeeping		9,505
	Administration		11,499
	Utilities		50
	Taxes and Insurance		12,092
	Cost of Capital		79,643
	To adjust cost centers to amounts per the Medicare cost report HIM-15-1, Section 2300		
2	Cost of Capital	72,257	
	Nonallowable		72,257
	To adjust capital return State Plan, Attachment 4.19D		
		<hr/>	<hr/>
	TOTAL ADJUSTMENTS	\$217,659	\$217,659

Due to the nature of compliance reporting, adjustment descriptions and references contained in the preceding Adjustment Report are provided for general guidance only and are not intended to be all-inclusive.

ALLENDALE COUNTY D/B/A JOHN EDWARD HARTER NURSING CENTER

Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended September 30, 1996
AC# 3-JEH-J6

Original Asset Cost (Per Bed)	\$ 15,618
Inflation Adjustment	<u>2.1144</u>
Deemed Asset Value (Per Bed)	33,022
Number of Beds	<u>44</u>
Deemed Asset Value	1,452,968
Improvements Since 1981	82,990
Accumulated Depreciation at 9/30/96	<u>(481,697)</u>
Deemed Depreciated Value	1,054,261
Market Rate of Return	<u>.070</u>
Total Annual Return	73,798
Return Applicable to Non-Reimbursable Cost Centers	-
Allocation of Interest to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Annual Return	73,798
Depreciation Expense	60,399
Amortization Expense	-
Capital Related Income Offsets	(5,555)
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Cost of Capital Expense	128,642
Total Patient Days (Actual Days)	<u>15,721</u>
Cost of Capital Per Diem	\$ <u><u>8.18</u></u>

ALLENDALE COUNTY D/B/A JOHN EDWARD HARTER NURSING CENTER

Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended September 30, 1996
AC# 3-JEH-J6

6/30/89 Cost of Capital and Return on Equity	
Capital Per Diem Reimbursement	\$ 2.72
Adjustment for Maximum Increase	<u>3.99</u>
Maximum Cost of Capital Per Diem	\$ <u>6.71</u>
Reimbursable Cost of Capital Per Diem	\$ 6.71
Cost of Capital Per Diem	<u>8.18</u>
Cost of Capital Per Diem Limitation	\$ <u>(1.47)</u>

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